



[BILLING CODE: 4810-033-P]

## **DEPARTMENT OF THE TREASURY**

### **Office of the Comptroller of the Currency**

#### **Agency Information Collection Activities: Information Collection Renewal;**

#### **Submission for OMB Review; Leveraged Lending**

**AGENCY:** Office of the Comptroller of the Currency (OCC), Treasury.

**ACTION:** Notice and request for comment.

**SUMMARY:** The OCC, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on a continuing information collection, as required by the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. chapter 35).

In accordance with the requirements of the PRA, the OCC may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number.

The OCC is soliciting comment concerning the renewal of its information collection titled, “Leveraged Lending.” The OCC also is giving notice that it has sent the collection to OMB for review.

**DATES:** Comments must be received by [INSERT 30 DAYS FROM DATE OF PUBLICATION IN FEDERAL REGISTER.]

**ADDRESSES:** Because paper mail in the Washington, DC area and at the OCC is subject to delay, commenters are encouraged to submit comments by e-mail, if possible.

Comments may be sent to: Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, Attention: 1557-0315, 400 7<sup>th</sup> Street, SW., Suite 3E-218, Mail Stop 9W-11, Washington, DC 20219. In addition, comments may be sent by fax to (571) 465-4326 or by electronic mail to *prainfo@occ.treas.gov*. You may personally inspect and photocopy comments at the OCC, 400 7<sup>th</sup> Street, SW., Washington, DC 20219. For security reasons, the OCC requires that visitors make an appointment to inspect comments. You may do so by calling (202) 649-6700 or, for persons who are deaf or hard of hearing, TTY, (202) 649-5597. Upon arrival, visitors will be required to present valid government-issued photo identification and submit to security screening in order to inspect and photocopy comments.

All comments received, including attachments and other supporting materials, are part of the public record and subject to public disclosure. Do not include any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

Additionally, please send a copy of your comments by mail to: OCC Desk Officer, 1557-0315, U.S. Office of Management and Budget, 725 17th Street, NW., #10235, Washington, DC 20503, or by email to: *oira\_submission@omb.eop.gov*.

**FOR FURTHER INFORMATION CONTACT:** Shaquita Merritt, Clearance Officer, (202) 649-5490 or, for persons who are deaf or hard of hearing, TTY, (202) 649-5597, Legislative and Regulatory Activities Division, Office of the Comptroller of the

Currency, 400 7<sup>th</sup> Street, SW., Washington, DC 20219.

**SUPPLEMENTARY INFORMATION:**

The OCC is proposing to extend OMB approval of the following information collection:

Title: Leveraged Lending.

OMB Control No.: 1557-0315.

Description: On March 22, 2013, the agencies<sup>1</sup> issued guidance stating that they expected financial institutions<sup>2</sup> to properly evaluate and monitor underwritten credit risks in leveraged loans, to understand the effect of changes in borrowers' business valuations on credit portfolio quality, and to assess the sensitivity of future credit losses to these changes in business valuations.<sup>3</sup> In underwriting such credits, financial institutions should ensure that borrowers are able to repay credits when due and that borrowers have sustainable capital structures, including bank borrowings and other debt, to support their continued operations through economic cycles. Financial institutions also should be able to demonstrate they understand the risks and the potential impact of stressful events and circumstances on borrowers' financial condition.

The final guidance stated that financial institutions should have: (i) underwriting policies for leveraged lending, including stress-testing procedures for leveraged credits; (ii) risk management policies, including stress-testing procedures for pipeline exposures; and, (iii) policies and procedures for incorporating the results of leveraged credit and pipeline stress tests into the firm's overall stress-testing framework.

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<sup>1</sup> OCC, Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation.

<sup>2</sup> For the OCC, the term "financial institution" or "institution" includes national banks, Federal savings associations, and Federal branches and agencies supervised by the OCC.

<sup>3</sup> 78 FR 17766 (March 22, 2013).

Respondents are financial institutions with leveraged lending activities as defined in the guidance.

Title: Leveraged Lending.

OMB Control No.: 1557-0315.

Frequency of Response: Annual.

Affected Public: Financial institutions with leveraged lending.

Burden Estimates:

Estimated number of respondents: 29.

Estimated total annual burden: 39,162 hours to build; 49,462 hours for ongoing use.

Total estimated annual burden: 88,624 hours.

Comments: On February 17, 2016, the OCC published a notice for 60 days of comment regarding the collection, 81 FR 8126. The OCC received one comment on the 60-day notice from an individual. The commenter questioned the utility and benefit of the information collection aspects of the guidance compared with the burden. Specifically, the commenter stated the information collections on stress-testing for leveraged lending, including for pipeline exposures, is already contained in other OCC or interagency guidance. The commenter also suggested that the OCC should define a leveraged loan and clarify the limits of acceptable leveraged lending risk.

The OCC believes that the information collections provide utility and benefit, as they can allow banks to monitor more closely their leveraged lending activity. Increased monitoring can improve a bank's response to potential deteriorations in the leveraged lending portfolio. Regarding burden, the leveraged lending information collections are

voluntary. If a bank decides that the burdens of certain collections would outweigh the costs, then the bank can choose not to implement those collections. While the OCC has issued other guidance documents on stress-testing, either standalone or on an interagency basis, those documents provide higher-level guidance for stress-testing of all assets and liabilities. The leveraged lending guidance provides additional considerations for stress-testing specifically related to leveraged lending, which is not present in other OCC or interagency guidance.

During the initial issuance of the leveraged lending guidance, the OCC considered whether to establish a single definition of leveraged loan or leveraged lending. However, the agencies concluded that leveraged lending is not homogenous across industries or banks, and did not believe that a “one-size-fits-all” definition was appropriate. The OCC continues to believe that those banks following the leveraged lending guidance should have this flexibility in setting the parameters of their leveraged lending and risk management programs.

Comments continue to be requested on:

- (a) Whether the information collections are necessary for the proper performance of the OCC’s functions, including whether the information has practical utility;
- (b) The accuracy of the OCC’s estimates of the burden of the information collections, including the validity of the methodology and assumptions used;
- (c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and

(e) Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

Dated: April 21, 2016.

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